

Message Text

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TAGS: ECON, CA, PINT
SUBJ: QUEBEC STUDY ON COSTS OF CONFEDERATION

1. BEGIN SUMMARY: PQ GOVERNMENT HAS RELEASED STUDY PURPORTING TO SHOW THAT CONFEDERATION HAS COST QUEBEC \$4.3 BILLION SINCE 1961, AS FEDERAL GOVERNMENT HAS TAKEN MORE OUT OF QUEBEC THAN IT HAS RETURNED. REPORT HAS RECEIVED WIDE COVERAGE IN PRESS, AIDED BY PQ STAGE SETTING WHICH GAVE IMPRESSION THAT STUDY WAS NON-PARTISAN AND BASED ON FIGURES COMPILED BY STATISTICS CANADA. WHILE REPORT HAS NOT YET BEEN STUDIED BY ANYONE OUTSIDE PROVINCIAL GOVERNMENT, ECONOMISTS IN MONTREAL ARE SKEPTICAL OF CONSLUSIONS AND METHODOLOGY. END SUMMARY.

2. ON MARCH 25, PQ BEGAN ITS CAMPAIGN TO QUANTIFY COSTS OF CONFEDERATION TO QUEBEC AS IT PRESENTED RESULTS OF 222 PAGE STUDY TO QUEBEC'S NATIONAL ASSEMBLY AND TO WELL ATTENDED PRESS CONFERENCE HELD LATER IN DAY. CONCLUSION OF REPORT, AS SUMMARIZED BY PREMIER LEVESQUE AND MINISTER OF INDUSTRY AND COMMERCE RODRIGUE TREMBLAY, WAS THAT CONFEDERATION HAD COST QUEBEC \$4.3 BILLION SINCE 1961. IF FIGURE IS ADJUSTED FOR IN-
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FLATION, AND TRANSLATED INTO 1975 DOLLARS, TOTAL WOULD RISE TO \$8.6 BILLION. FIGURES USED IN STUDY SHOW THAT THERE HAS BEEN NET OUTFLOW FROM QUEBEC TO REST OF CANADA IN EVERY YEAR SINCE 1961, WITH EXCEPTION OF 1974 AND 1975, WHEN, LARGELY AS RESULT OF FEDERAL PAYMENTS OF OIL IMPORT SUBSIDIES, THE FEDERAL GOVERNMENT SPENT MORE FOR QUEBEC'S BENEFIT THAN IT TOOK OUT OF QUEBEC. NO ACCOUNT HAS BEEN TAKEN IN STUDY OF SERVICES PERFORMED BY FE-

DERAL GOVERNMENT WHICH BENEFIT QUEBEC IN WAYS OTHERS THAN THROUGH DIRECT EXPENDITURES AND TRANSFERS OF FUNDS.

2. CONSULATE HAS NOT YET OBTAINED COPY OF STUDY, WHICH REPORTEDLY WILL NOT BE RELEASED PUBLICLY FOR ANOTHER TWO WEEKS. NEITHER WE OR ECONOMISTS WITH WHOM WE HAVE TALKED CAN THEREFORE COMMENT ON METHODOLOGY, AND PRESS ACCOUNTS, APPARENTLY BASED ON SUMMARY PRESS RELEASE AND COMMENTS MADE BY MINISTERS IN PRESS CONFERENCE, ARE CONFUSING. THUS, IT IS UNCERTAIN WHETHER METHODOLOGY IS BASED ON BROAD ANALYSIS INVOLVING FLOW OF FUNDS, OR WHETHER APPROACH IS MORE NARROWLY BASED ON INPAYMENTS AND OUTPAYMENTS BY FEDERAL AND PROVINCIAL GOVERNMENTS. GENERAL FEELING IS THAT STUDY IS LARGELY BASED ON GOVERNMENT GENERATED EXPENDITURES, WITH ANY BROADER BALANCE-OF-PAYMENTS CONTENT BASED ON RESIDUALS, AS METHODOLOGY FOR INTERPROVINCIAL BALANCE OF PAYMENTS IN CANADA HAS NOT BEEN DEVELOPED.

3. MANNER IN WHICH REPORT WAS PRESENTED BY MINISTER OF INDUSTRY AND COMMERCE RODRIGUE TREMBLAY ENHANCED CREDIBILITY OF REPORT AND ATTRACTED EXTENSIVE PRESS COVERAGE, WITH ALL MONTREAL PAPERS CARRYING FRONT PAGE STORIES. TREMBLAY APPARENTLY GAVE IMPRESSION THAT REPORT WAS PRODUCT OF WORK OF A FEDERAL-PROVINCIAL COMMITTEE, USING DATA PROVIDED BY STATISTICS CANADA, THE FEDERAL GOVERNMENT'S STATISTICAL SERVICE. TO LARGE EXTENT, REPORTERS THEREFORE TENDED TO VIEW REPORT WITH MORE CREDIBILITY THAN WOULD HAVE BEEN CASE HAD REPORT BEEN PRESENTED AS PRIMARILY A PQ UNDERTAKING. BASED ON INTERVIEWS WITH OFFICIALS OF FEDERAL-PROVINCIAL COMMITTEE, AND WITH AUTHOR OF THE REPORT, ARTICLE IN TORONTO GLOBE AND MAIL OF MARCH 28 QUESTIONS OBJECTIVITY OF REPORT AND LIMITED OFFICIAL USE

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PQ'S MANNER OF PRESENTING IT. MEMBER OF FEDERAL-PROVINCIAL COMMITTEE TOLD GLOBE AND MAIL THAT REPORT WAS NOT WORK OF THE COMMITTEE, BUT RATHER FOLLOWED "IN GENERAL" THE METHODOLOGY EVOLVED BY THAT COMMITTEE. AUTHOR OF REPORT SAID THAT HE, AND NOT COMMITTEE, SERVED AS "INTEGRATOR" OF DATA, AND DATA CAME FROM SEVERAL SOURCES, AND THAT ESTIMATES WERE EMPLOYED IN SOME CASES.

4. CABINET MINISTERS IN OTTAWA HAVE EXPRESSED SKEPTICISM ABOUT THE REPORT, QUESTIONING BOTH THE METHODOLOGY AND THE RATIONALE, THE LATTER ON BASIS THAT BENEFITS OF CONFEDERATION CANNOT BE MEASURED BY A BALANCE SHEET. FEDERAL GOVERNMENT IS SAID TO BE PREPARING ITS OWN REPORT. WITHIN QUEBEC, UNION NATIONALE LEADER RODRIGUE BIRON SAID THAT WHILE HE AGREED WITH REPORT'S FIGURES, HE DREW DIFFERENT CONCLUSIONS, MAINLY THAT IT WAS TIME TO NEGOTIATE A NEW CONSTITUTION, BUT NOT TIME TO SEPARATE. FORMER LIBERAL FINANCE MINISTER RAYMOND GARNEAU TOOK A SIMILAR LINE, SAYING THAT WHILE HE COULDN'T ARGUE WITH THE FIGURES THEMSELVES, HE QUESTIONED THOROUGHNESS OF REPORT AND INTERPRETATION GIVEN IT BY PQ GOVERNMENT.

5. FIRST IMPRESSIONS OF ECONOMISTS IN MONTREAL, NONE OF WHOM HAVE HAD CHANCE TO STUDY REPORT, ARE THAT POLITICAL CONTENT OF REPORT IS TOO HIGH. ALL BELIEVE THAT IT WILL TAKE A GREAT DEAL MORE EFFORT TO COME UP WITH AN ACCEPTABLE STUDY OF THE COSTS OF CONFEDERATION. A MUCH BETTER JOB WILL BE DONE, THEY BELIEVE, BY BERNARD BONIN, A RESPECTED ECONOMIST RECENTLY APPOINTED BY PQ TO CONDUCT STUDY OF VARIOUS FORMS OF ASSOCIATION BETWEEN AN INDEPENDENT QUEBEC AND THE REST OF CANADA, AND BY THE ECONOMISTS OF C.D. HOWE, WHO HAVE UNDERTAKEN A TWO-YEAR STUDY OF THE QUEBEC PROBLEM. FURTHERA MORE, MOST BELIEVE THAT ECONOMIC ARGUMENTS FOR OR AGAINST CONFEDERATION ARE WASTE OF TIME, AS ANY ECONOMIST, LIKE ANY LAWYER, CAN ARGUE BOTH SIDES OF CASE. LE DEVOIR'S HIGHLY RESPECTED EDITOR CLAUDE RYAN ALSO CHIDED PQ TODAY FOR USING REPORT TO ADVANCE PARTISAN POLITICAL INTERESTS RATHER THAN THE TRUTH. RYAN SEES MAJOR PROBLEMS OF REPORT IN FAILURE TO TAKE INTO CONSIDERATION ADDITIONAL ECONOMIC BENEFITS QUEBEC RECEIVES FROM CONFEDERATION.
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6. ALL IN ALL, UNLESS CAREFUL STUDY OF FULL REPORT CHANGES MANY MINDS, IT APPEARS THAT PQ HAS LOST SOME CREDIBILITY IN ECONOMIC AND FINANCIAL COMMUNITY. BUT ON OTHER HAND, THERE APPEARS LITTLE DOUBT THAT AT LEAST IN THIS FIRST ROUND PQ SCORED PROPAGANDA VICTORY WHICH HELPED TO FRAME ITS CASE IN EYES OF GENERAL PUBLIC.
HARPER

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